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**REMARKS**

The discussion paper mentioned in the enclosed memorandum should be provided to the officer from your agency planning to attend the December 11 meeting.

DO NOT use this form as a RECORD of approvals, concurrences, disposals, clearances, and similar actions

FROM: (Name, org. symbol, Agency/Post)	Room No.—Bldg.
James Landberg	4258 - N.S.
Office of Mexican Affairs (ARA/MEX)	Phone No.
Dept. of State	647-9292

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ARA



## United States Department of State

Washington, D.C. 20520

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Original to OVP:Gregg

'86 NOV 19 11:45 November 19, 1986

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Addressee Interagency Group No. 64

TO:	OVP	- Mr. Donald Gregg
	NSC	- Mr. Rodney McDaniel
	Agriculture	- Mr. Floyd Gaibler
	AID	- Mr. Richard Meyer
	CEA	- Dr. Beryl Sprinkel
	CIA	
	Commerce	- Mrs. Helen Robbins
	Customs	- Mr. Stephen Dougherty
	DEA	- Mr. John Lawn
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	Energy	- Mr. William Vitale
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	Fed'l. Reserve	- Mr. Charles Siegman
	Justice	- Mr. John Richardson
	Treasury	- Mr. Robert Zoellick
	USIA	- Mr. Larry Taylor
	USTR	- Amb. Michael Smith
	INS	- Com. Alan Nelson
	OPIC	- Mr. Lorin Weisenfeld

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SUBJECT: Invitation to Interagency Group Meeting on Mexico

The Department of State will hold an Interagency Group (IG) meeting on Mexico December 11, 1986 from 10:00 a.m. to 12:00 noon in room 1105 of its main building at 2201 C. Street N.W. The purpose of the meeting is to begin interagency preparations for the annual meeting of the US-Mexico Binational Commission, which will be held in Washington during the week of January 26-30, 1987, chaired on the US side by Secretary Shultz.

The IG meeting on December 11 will be chaired by Assistant Secretary of State for Inter-American Affairs, Elliott Abrams. The agenda for the meeting is attached. Prior to the meeting, a discussion paper on the major issues and challenges in US-Mexican relations will be distributed to the invitees. We anticipate that a second IG meeting will be required in January to complete preparations for the Binational Commission meeting.

Please telephone us at 647-9292 to let us know who will be attending the December 11 meeting from your office.

*Nicholas Platt*  
Nicholas Platt  
Executive Secretary

Attachment: Meeting Agenda

AGENDA

- I. INTRODUCTION
- II. MEXICO'S ECONOMY
- III. TRADE AND INVESTMENT ISSUES
- IV. PUBLIC ATTITUDES IN THE UNITED STATES AND MEXICO
- V. NARCOTICS AND LAW ENFORCEMENT
- VI. CENTRAL AMERICA AND INTERNATIONAL ORGANIZATION ISSUES
- VII. BORDER ISSUES
- VIII. IMMIGRATION
- IX. OTHER

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DISCUSSION PAPER

DECEMBER 11 INTERAGENCY GROUP MEETING

ON MEXICO

Introduction

The next meeting of the US-Mexico Binational Commission will be held in Washington on January 29, 1987. During their meeting in August, Presidents Reagan and de la Madrid agreed that the BNC should focus this time on longer range issues in our relations. In addition, Secretary Shultz and President de la Madrid, at their UNGA meeting in New York, agreed the BNC also should consider how to build public awareness of solid, positive developments in our relationship.

The purpose of the December 11 IG meeting is to launch interagency preparations for the BNC, particularly to discuss goals, objectives, and the framework for the meeting. The following background on major issue areas is intended to facilitate discussion.

Issues

1. Mexico's Economy

Although the \$12 billion refinancing will ease Mexico's balance of payments problems during the 1987-88 period, Mexico's economy will still be under severe pressure. Inflation is at a 100% plus rate, the government deficit will remain high, and President de la Madrid's administration will be under strong pressure to stimulate economic activity and raise wages to improve the political climate for the 1988 Presidential election.

These same political considerations also could stall or set back the economic reform measures initiated by de la Madrid (trade liberalization, privatization, realistic exchange rates, etc).

Principal US objectives at the BNC will be to urge the GOM to continue responsible policies during the remaining two years of President de la Madrid's time in office, to persevere with structural reforms, and to leave to Mexico's next president a less desperate economic situation than de la Madrid inherited in 1982.

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- 2 -

An exchange with the Mexican delegation on the economic outlook, and the need for continued responsible economic management and reform measures through 1988 and beyond could be a major element of the BNC meeting. One possible approach would be to have Treasury brief the BNC on the outlook for the US economy and the implications for Mexico, and to ask the Mexicans to brief the group on Mexico's economic prospects.

It also may be useful to consider what the longer term outlook is for Mexico's debt situation and what, if any, additional measures might be taken to deal with the longer term problem.

## 2. Trade and Investment Problems

Strengthening bilateral commercial relations is an integral part of the effort to help Mexican recovery and improve US exports and investment in Mexico.

Impressive accomplishments of the past two years - signature of a bilateral subsidies agreement, Mexican accession to the GATT, agreement to negotiate a framework agreement on trade and investment - are jeopardized by a number of trade problems. Negotiations with Mexico on intellectual property protection continue but failure to achieve adequate progress could result in a reduction in Mexico's GSP benefits announced just before the BNC meeting. Framework agreement negotiations have been slow getting started in part because of differences over the intellectual property issue.

Our objective should be to reconcile our trade and investment issues, if possible before the BNC meeting, and proceed with positive movement on the framework agreement, and liberalization of Mexico's trade and investment climate. A discussion of the long run trade relationship, perhaps to the year 2000, could be undertaken, led by USTR and Commerce.

## 3. Public Attitudes in US and Mexico

Misperceptions, misunderstandings and mistrust bedevil our relations. The media in both countries dwell on the negative and the sensational, causing mutual bitterness and undermining cooperation. Our relationship is derived in part from its public image. Progress must be genuine, but when it is achieved, attention needs to be paid. Similarly, public attitudes in Mexico on issues important to the US, such as the debt issue, foreign investment, Central America and narcotics, affect progress on these issues.

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- 3 -

Our objective should be to agree with the Mexicans on the need for a concerted effort by both countries to give adequate dissemination of information on successes, achievements, and progress. The idea is to try to achieve some better balance in public attitudes in both countries in order to improve the climate for cooperation. We need an action program with which both sides are comfortable. It could include increased speaker and scholar exchanges, designation of Mexico as an important public policy issue (to permit augmented public speaking on Mexico) and participation in BNC and other senior meetings by public policy officials of both Governments. Embassy Mexico has proposed a program of increased educational and cultural exchanges. It would require financing.

4. Narcotics and Law Enforcement

Drug production and trafficking remains the most divisive source of friction in our relationship. To highlight the importance which the USG attaches to this issue, as well as to law enforcement cooperation in general, Attorneys General Meese and Garcia will be invited to participate in the BNC. The US could provide a special briefing for the Mexican delegation on the actions which the USG is taking domestically against drug consumption, cultivation and trafficking.

Provisions of the Omnibus Drug Act, which require presidential certification that individual countries are making progress in the war against drugs could pose a major problem for our relations. Congress can override the certification and force the administration to vote against MDB lending, eliminate trade credits and take other actions against individual countries.

5. Central American and UN Voting

Mexico has practically eliminated its economic support for Nicaragua and reduced its involvement in the region. However, the Mexicans continue to speak and vote against us on Central American and US issues. Although a fundamental change in Mexican positions on these issues is unlikely, there are signs that President de la Madrid wants to reduce confrontations over such matters.

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- 4 -

6. Border Issues

Cooperation on border environmental matters and on international bridges and border crossing are bright spots, but complex problems and issues persist, due to the very nature of intensifying interdependence. Our satisfaction with progress on border environment and bridges/crossing should be highlighted. The attention of the BNC should also be directed to unresolved issues such as border violence, transboundary trucking questions, border commerce and economic development, and future issues such as utilization of groundwaters and other unapportioned waters along the border.

We need to address Mexico's renewed proposal to establish a bilateral border coordination mechanism. Our Embassy in Mexico City has recently recommended that the BNC deal with border issues but not create a separate border commission. Possibly the Embassy's recommendations should be considered by a special interagency sub-group focussing only on border issues.

7. Immigration

The passage of the Immigration Reform Act has major implications for US-Mexican relations. The real impact will depend on the effectiveness of the new law. The BNC might consider the possibility of forming a long range working group on immigration issues to ease tensions and problems as the new law is implemented. Or perhaps an immigration meeting or seminar, or special consultations on the new law could be proposed.

8. Other Possible Subjects for Discussion at the IG

- (a) Status of the Strategic Petroleum Reserve
- (b) Science and Technology Cooperation
- (c) Recent US Legislation Affecting Mexico
- (d) Overseas Private Investment Corporation

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**Remarks**

To 9: Please inform Exec Sec (Secure 33-7598) with name of attendee.

Executive Secretary

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## United States Department of State

Washington, D.C. 20520

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November 19, 1986

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Interagency Group No. 64

Executive Registry

65- 5395X

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